MARKETBEAT

Office Snapshot Q1 2016

Montréal, QC

CUSHMAN & WAKEFIELD

MONTREAL OFFICE

Economic Indicators

	Q1 15	Q1 16	12-Month Forecast
Montreal Employment	2.03 mil	2.05 mil	▲
Montreal Unemployment	7.6%	8.7%	▲
Canada Unemployment	6.8%	7.3%	▲

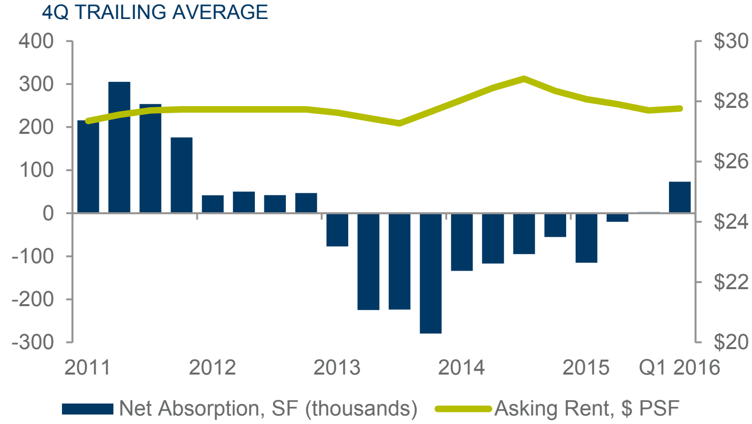
Market Indicators (Overall, All Classes)

	Q1 15	Q1 16	12-Month Forecast
Vacancy	11.6%	12.1%	▲
Net Absorption (sf)	(146,468)	135,771	▲
Under Construction (sf)	1,642,152	1,843,253	▲
Average Asking Rent*	$27.52	$27.78	▼

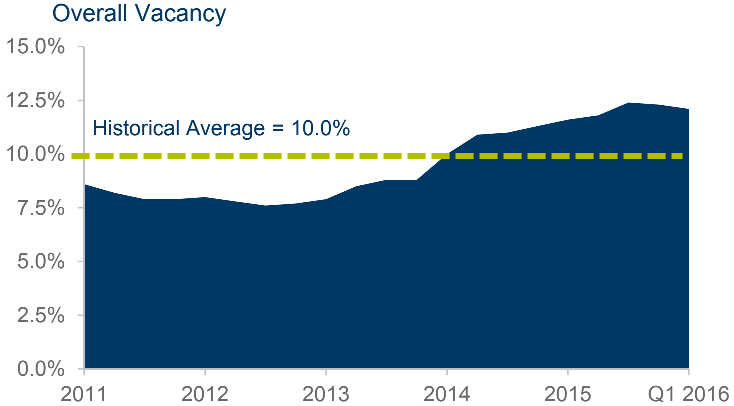
*Rental rates reflect gross asking $psf/year

Overall Net Absorption/Overall Asking Rent

4Q TRAILING AVERAGE



Overall Vacancy



Economy

The Canadian economy finished 2015 with modest GDP growth of 1.2% as low oil prices continued to impact the overall economic outlook as well as business investment. On the positive side, a healthy exports sector, consumption, and housing market activity continue to support growth. In addition, the economy is expected to get a boost from increased government spending in 2016. The Quebec economy also had an average year in 2015, with a GDP growth rate of just 1%. Despite a slow start to 2016, the provincial economy is expected to pick up in the coming months, backed by strong exports, an upturn in business investments, as well as a promised elimination of the provincial deficit; all of which will strengthen both consumer and business confidence.

Market Overview

Absorption in the Greater Montreal Area (GMA) office market remained in positive territory, reaching 135,771 square feet (sf) in Q1 2016, sustained mostly by healthy momentum in class A office space in Central Montreal. “Flight to quality and efficiency” remains notable as a number of tenants continue to take advantage of their favourable position in the market to negotiate deals and secure quality office space in the downtown market, while reducing their overall footprints and consolidating their operations at the same time. Sublet availability continues to wane with a 7% year-over-year decline as the majority of the listings are reaching the term expiration dates. With the exception of the Mile End area that is witnessing a healthy demand for its loft-style offices, and the South Shore which remains a tight market, the suburban markets continue to face an increase in space available for lease, particularly in the older legacy towers and class B and C office product. This trend is expected to continue, especially with a number of companies downsizing and slashing its workforce (e.g. Bombardier), while others are emptying out their current office locations and opting for “build-to-suit” premises (e.g. Ericsson, ABB).

Outlook

With a number of developments underway and some large office blocks rumored to become available in the coming months, the Montreal office market is expected to continue to face high levels of vacancy. The new builds are expected to shape the landscape of the Montreal office market as these office towers cater to some highly sought after requirements such as sustainability, technology, mobility and flexibility. The rise of Transit-Oriented Developments (TOD) is also a newly emerging trend that is gaining ground and stretching the traditional boundaries of Montreal.

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SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT NET OVERALL ABSORPTION (SF)	YTD NET OVERALL ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT (ALL CLASSES)*	OVERALL AVERAGE ASKING RENT (CLASS A)*
Financial Core	26,746,351	432,952	2,394,024	10.6%	34,138	34,138	550,200	$36.84	$41.21
Downtown West	7,496,810	55,916	914,983	13.0%	21,354	21,354	275,000	$29.96	$36.89
Downtown East	6,790,222	50,426	399,599	6.6%	22,202	22,202		$24.57	$27.64
Old Montreal	5,719,442	76,823	392,156	8.2%	46,004	46,004		$28.43	$31.62
CBD	**46,752,825**	**616,117**	**4,100,762**	**10.1%**	**123,698**	**123,698**	**825,200**	**$33.99**	**$39.70**
West End	8,916,264	85,846	1,049,846	12.7%	(40,007)	(40,007)	44,000	$22.26	$22.23
Saint-Laurent	4,358,775	109,370	916,793	23.5%	(11,368)	(11,368)	434,698	$22.77	$23.88
Laval	4,481,173	18,514	697,073	16.0%	(70,795)	(70,795)		$23.75	$25.07
East End (East)	3,493,372	48,080	551,228	17.2%	(5,661)	(5,661)		$24.16	$25.71
East End (West)	10,615,242	48,728	1,449,280	14.1%	75,739	75,739	85,000	$21.29	$21.63
Verdun-LaSalle	2,739,513	1,777	154,558	5.7%	81,663	81,663		$23.50	$27.58
West Island	2,754,105	96,403	324,182	15.3%	(18,857)	(18,857)		$21.60	$25.87
South Shore	3,646,118	35,269	301,912	9.2%	1,359	1,359	454,355	$22.71	$22.07
GREATER MONTREAL AREA TOTALS	87,757,387	1,060,104	9,545,634	12.1%	135,771	135,771	1,843,253	$27.78	$32.69

*Rental rates reflect gross asking $psf/year

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT NET OVERALL ABSORPTION (SF)	YTD NET OVERALL ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT (ALL CLASSES)*
Class A	43,812,450	730,530	4,690,431	12.4%	43,348	43,348	1,491,356	$32.69
Class B	29,640,106	256,039	3,063,429	11.2%	(88,958)	(88,958)	356,897	$24.56
Class C	14,304,931	73,535	1,791,774	13.0%	179,381	179,381	0	$19.89

*Rental rates reflect gross asking $psf/year

Key Lease Transactions Q1 2016

ADDRESS	SF	TENANT	TRANSACTION TYPE	SUBMARKET
5445 de Gaspé	44,356	Sunlife	Headlease	East End (West)
1055 Rene- Levesque East	20,212	Conseil Cri de la Santé et Services Sociaux de la	Headlease	Downtown East
1001 de Maisonneuve West	28,369	EXP Services	Renewal	Financial Core

Key Sales Transactions Q1 2016

ADDRESS	SF	SELLER/BUYER	PRICE / $PSF	SUBMARKET
1494-1512 Ste Catherine West	75,837	Penguy Properties/ 9291865 Canada Inc.	$25,750,000/ $339 psf	Downtown West
4100-4130 Wellington	38,869	Societe Immobiliere Tricorp Ltee./ Tyfoon International Inc. - International Tyfoon Inc.	$8,200,000/ $211 psf	Verdun-LaSalle
2350 Cohen	44,340	Intelerad Medical Systems Incorporated/ Canada Corporation	$3,000,000/ $68 psf	Saint-Laurent

Cushman & Wakefield
999 De Maisonneuve Blvd. W.,
Suite 1500
Montréal, QC H3A 3l4
www.cushmanwakefield.com

For more information, contact:
Cynthia Nasseh, Senior
Research Analyst
Tel: +1 514 841 5011
cynthia.nasseh@ca.cushwake.com

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